

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 56th LEGISLATURE - REGULAR SESSION

COMMITTEE ON STATE/FEDERAL RELATIONS

Call to Order: By **CHAIRMAN AUBYN A. CURTISS**, on March 16, 1999
at 7:05 A.M., in Room 420 Capitol.

ROLL CALL

Members Present:

Rep. Aubyn A. Curtiss, Chairman (R)
Rep. Carol C. Juneau, Vice Chairman (D)
Rep. Jay Stovall, Vice Chairman (R)
Rep. Matt Brainard (R)
Rep. Dan McGee (R)
Rep. Loren Soft (R)
Rep. Carol Williams (D)

Members Excused: Rep. Kim Gillan (D)
Rep. Gary Matthews (D)
Rep. Karl Ohs (R)

Members Absent: None.

Staff Present: Gordon Higgins, Legislative Branch
Deb Thompson, Committee Secretary

Please Note: These are summary minutes. Testimony and
discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: None
Executive Action: SJ 13

EXECUTIVE ACTION ON SENATE JOINT RESOLUTION 13

Rep. Juneau **MOVED DO CONCUR SJ 13.**

Rep. Brainard noted it was important to express support for Social Security as separate and distinct from individual retirement. He pointed out the institution was huge and any kind of major changes would cause a lot of upheaval. The use of privatization implies that the Social Security fund would be

invested in the financial markets rather than in treasury bonds. The implications are monumental to the markets in the country. That huge influx of money could have a destabilizing effect on the economy. He pointed out Congress would tamper with the markets trying to improve things. Privatization may also include updating the Social Security system such as upgrading computers, which may be beneficial. He offered an amendment to address the de-stabilizing impacts and to resist manipulation of the markets.
{Tape : 1; Side : A; Approx. Time Counter : 1 - 6.1}

Rep. Williams pointed out issues related to privatization. The idea is to allow people to take part of their Social Security and personally invest in the market, not have the government do it. She said she liked the privatization language used in the resolution because it covers the administrative upgrades but makes them go cautiously on investing and individuals being able to privatize. The amendment is more specific to the government investing that money in the market. **{Tape : 1; Side : A; Approx. Time Counter : 6.1 - 6.9}**

Rep. Soft pointed out the higher yields that would have been generated if the money had been invested in another vehicle. Social Security was not meant to cover our total retirement, but as a supplement. Rep. Brainard pointed out the problem with that approach is that Social Security was part of a retirement program. He said if an individual was encouraged to take their money out of the Social Security in a lump it would shift to high risk. **{Tape : 1; Side : A; Approx. Time Counter : 6.9 - 11.2}**

Rep. Curtiss said the fund would become unstable in a short period of time if people quit paying into it. She felt people should have a choice on making an investment on their own behalf. **{Tape : 1; Side : A; Approx. Time Counter : 11.2 - 12.3}**

Rep. Stovall asked if the intent was to restrict individuals or the feds. Rep. Brainard said the intent was to stop any kind of ideas of having the actual Social Security funds actually invested in the market, which would have the effect of destabilizing the market.

Rep. Williams pointed out the Social Security Administration was able to update their computer systems already. This resolution does not address that. She felt the way the resolution was written now did cover the privatization issue. The proposal will evolve and change and there will be more information available. Rep. Brainard said there wasn't a good definition for privatization and there was different possibilities. He felt the resolution should be more specific regarding the financial markets and the impacts.

Rep. Brainard **MOVED** the amendment. He said it would follow after "contribute over their lifetimes" ... and insert "whereas the economic impact of investing vast sums of money inherent to the obligations of the Social Security system, may provide a de-stabilizing impact to the financial markets of the United States and, whereas the U.S. Congress may not be able to resist the manipulation of financial markets in the United States." He said he would segregate this from the privatization issue.

The question was called on the first part of the Brainard amendment. The motion **PASSED** 5-3 on a roll call vote. The question was called on the second part of the amendment. Rep. Brainard said this would be on line 28, "by avoiding the privatization". He struck "privatization" and so it would read "by avoiding the investment of social security funds in the financial markets of the United States or the world." Rep. Soft noted he would leave those kinds of issues to Greenspan and others who understand it. Rep. Juneau said she liked the current language since it covered all the areas and issues. The question was called. The motion **FAILED** 5-3.

Rep. Soft pointed out that by tinkering with the resolution it would delay its presentation in Congress. Rep. Williams said the momentum of getting this out quickly was lost by amending the resolution. **{Tape : 1; Side : A; Approx. Time Counter : 12.3 - 24.1}**

Rep. Brainard **MOVED DO CONCUR AS AMENDED**. Rep. McGee said he was opposed to the resolution. He said this assumes that the private sector is somehow evil and the social security is the only choice for retirement. He felt one of the biggest problem with the trillions of dollars of deficit came from ideologies that spawned social security. People do depend on social security, and a lot of other dependencies like alcohol. He was opposed to the resolution because of its slant against privatization which might be the only thing that saved it in the first place.

The question was called. The motion **FAILED** 4-4 on a roll call vote.

ADJOURNMENT

Adjournment: 7:32 A.M.

REP. AUBYN A. CURTISS, Chairman

DEB THOMPSON, Secretary

AC/DT

EXHIBIT (sfh59aad)